ANNUAL REPORT

BEATRICE CREAMERY COMPANY
and SUBSIDIARIES

Year ended
February 28, 1935

Executive Offices
1526 South State Street
Chicago, Illinois
TO THE STOCKHOLDERS OF BEATRICE CREAMERY COMPANY:

Herewith is submitted annual balance sheet and earnings report for the fiscal year ended February 28, 1935.

Earnings for the year after depreciation and Federal taxes were $1,229,614.30, equivalent to $1.31 per share on Common stock, as compared with a loss of $0.66 per share on Common stock in the preceding year.

Sales for the year were $54,883,394 as compared with $44,868,398 the previous year, an increase of 22.32%. This increase was largely caused by the advance in prices of commodities, principally butter, which sold at a price 25.77% higher than the previous year. Total unit sales increased less than 1%. Average profit before Federal taxes on all dairy and produce handled was four-tenths of a cent per unit.

CREAMERY BUTTER

The creamery butter department was the largest factor in increased earnings. Conditions in this department were the reverse of last year, as during the fall and most of the winter, business was done on an advancing market.

On account of the drouth, surplus stocks of butter were cut down to the lowest on record, and production decreased, causing a steady advance in price. The higher price caused importations of foreign butter, and since January first almost ten million pounds have been imported.

The price has exceeded the purchasing power of the consumer, and consumption at the present time is considerably below last year. Our sales of butter were seriously affected in February and March, and sales still continue below last year. We do not look for any correction of this condition until cows go on pasture and the price declines to a summer basis.

ICE CREAM

The profits of the ice cream department were more than last year, due entirely to an increase of 13.59% in volume. Ice cream sales prices averaged about the same as last year.

MILK

The milk distributing department made the most unsatisfactory showing. This Company operates thirty-six milk distributing plants. A few of these made a profit but the consolidated profits of this department show a decrease of $248,326 under last year, with practically no operating return for the year.

Factors causing this poor showing were: Non-compliance with governmental regulations by some competitors, higher fixed paying prices to farmers causing some plants to operate at a loss through the narrowing of the spread between buying and selling prices, and loss in sales due to higher prices. Most of our plants are situated in the area affected by the drouth. Pressure by farmer groups on governmental agencies for higher prices, accentuated by the drouth, caused selling prices in some instances to be advanced above the consumers' ability to pay.

Volume of bottled milk sales is necessary to the successful conduct of a milk business. Less than fifty percent of milk production is used for bottled milk purposes. If the price is advanced to the point of consumer resistance, this automatically throws a larger percentage of the farmers' milk production into other uses, such as for the manufacture of butter, the price of which is
based on world markets, thereby causing average lower prices to the farmers for their whole production. Prices when fixed by governmental agencies should be on a basis to promote normal consumption thereby giving the farmer a fair average price and allowing the distributor to operate at less cost per unit.

OTHER DEPARTMENTS

For years this Company has diversified its business, and this policy will be continued. During the past fiscal year profits of departments other than dairy products and produce were $558,189 representing 39.71% of our total profits.

CURRENT ASSETS

Cash on hand and in banks amounted to $5,910,618.31, as compared with $5,210,630.08 last year, an increase of $699,988.23, or 13.43%. The Company continues to increase its cash position.

The Company has $10.48 of current assets for every dollar owing. Net working capital is $9,700,213.91, as compared with $8,914,314.70 last year, an increase of 8.81%.

Surplus inventories of dairy products were liquidated prior to February 28th, and inventories of these commodities represent about the minimum necessary to transact business.

LAND, BUILDINGS AND EQUIPMENT

Additions made during the past year have been largely replacements and additions to plants now in operation. One of the largest items of replacement is delivery equipment. No extensive improvements or additions to our plants are planned at this time.

The following is a schedule of land, buildings, equipment and depreciation reserve as of February 28th:

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>LAND</th>
<th>BUILDINGS</th>
<th>EQUIPMENT</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance</td>
<td>$2,302,059.80</td>
<td>$9,855,894.30</td>
<td>$14,904,661.56</td>
<td>$27,062,615.66</td>
</tr>
<tr>
<td>Additions year ended</td>
<td>1,947.12</td>
<td>117,498.78</td>
<td>456,103.81</td>
<td>571,655.47</td>
</tr>
<tr>
<td>Balance</td>
<td>$2,300,112.68</td>
<td>$9,973,393.08</td>
<td>$15,360,765.37</td>
<td>$27,634,271.13</td>
</tr>
</tbody>
</table>

DEPRECIATION RESERVE

| Balance      | $3,562,059.06 | 11,306,991.72 | 14,869,050.78 |
| Add depreciation provided for year ended | 236,387.83 | 949,503.11 | 1,185,890.94 |
| Deduct depreciation on disposals, etc. | 3,798,446.89 | 12,256,494.83 | 16,054,941.72 |
| Balance      | 3,772,654.00 | 12,009,156.18 | 15,781,810.18 |

NET BOOK VALUES

| February 28, 1935 | $2,300,112.68 | $6,200,739.08 | $3,351,609.19 | $11,852,460.95 |
During the year the Company purchased 2,700 shares of Preferred stock and subsidiary prior securities amounting to $38,500, making a total of $308,500 prior securities purchased during the year out of cash. All Preferred stock purchased was retired and the discount credited to capital surplus account.

The Company at the present time has 7,282 stockholders.

The directors declared a special dividend of 50c per share on Common stock, payable April 1st, from last year's earnings. It was not thought advisable to put the stock on a permanent dividend basis, but if earnings justify, dividends will be declared from time to time.

The earnings for the first quarter of the present fiscal year may not appear favorable, but we believe this is due to conditions which are largely temporary. With any improvement in general conditions, the officers believe satisfactory earnings can be made this year.

Respectfully submitted,

C. H. Haskell, President.

# BEATRICE CREAMERY COMPANY
## CONSOLIDATED BALANCE SHEET

### ASSETS

#### CURRENT ASSETS:
- **Cash** ........................................... $5,910,618.31
- **Accounts receivable** ......................... $2,474,477.23
- **Notes receivable** .............................. 690,965.67
  - **Notes and accounts receivable—Ice cream equipment** 298,470.87
- **Less—Provision for doubtful** .................. 3,463,913.77
- **Inventories—At the lower of cost or market:**
  - **Dairy products and other merchandise** ........ $1,096,876.95
  - **Raw materials and supplies** ................. 590,246.60
- **Total Current Assets** ......................... $10,723,035.12

#### OTHER ASSETS:
- **Investments and advances—Affiliated Companies—less reserve** ........ $286,797.95
- **Deposits in closed banks, less reserve** ........ 80,357.02
- **Cash surrender value of life insurance** ........ 24,628.89
- **Advances to officer** ........................... 13,602.63
- **Notes and accounts receivable, employees, partially secured—less reserve** .... 61,237.00
- **Other notes and accounts receivable** .......... 130,880.06
- **Miscellaneous investments (at the lower of cost or appraised value)** ...... 205,468.49
- **Miscellaneous investments (at the lower of cost or appraised value)** ...... 802,972.04

#### LAND, BUILDINGS AND EQUIPMENT:
- **At cost, or less as inventoried and valued by the Company's engineers as at March 1, 1933, plus additions at cost:**
  - **Land** ........................................ $2,500,112.68
  - **Buildings** ................................... 9,973,393.08
  - **Equipment (including cans and milk bottles)** .... 15,360,765.37
- **Less—Reserves for depreciation** ................ 15,781,810.18
- **Real Estate and Equipment for Sale (at cost or less)** ........... $11,852,460.95

#### DEFERRED CHARGES:
- **Insurance unexpired, stationery, prepaid taxes, licenses, etc.** .......... 226,252.33
- **TOTAL** ........................................ $23,801,701.58

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**Note:** Notes receivable includes notes amounting to $506,571.43, representing advances to customers by subsidiary public cold storage companies, secured by negotiable warehouse receipts.
### LIABILITIES

#### CURRENT LIABILITIES:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$535,284.93</td>
</tr>
<tr>
<td>Accrued wages</td>
<td>$64,776.50</td>
</tr>
<tr>
<td>Provision for state and local taxes</td>
<td>$183,618.57</td>
</tr>
<tr>
<td>Provision for Federal taxes</td>
<td>$239,141.21</td>
</tr>
</tbody>
</table>

**Total Current Liabilities**                       $1,022,821.21

#### MINORITY INTEREST IN CAPITAL AND SURPLUS OF SUBSIDIARY COMPANIES:

<table>
<thead>
<tr>
<th>Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preferred stock</td>
<td>$70,850.00</td>
</tr>
<tr>
<td>Common stock</td>
<td>$2,961.84</td>
</tr>
</tbody>
</table>

(Subsidiary company dividends on minority interest in preferred stock unpaid—$1,698.75)

#### NET WORTH:

**Capital stock authorized:**

- 125,000 shares 7% cumulative Preferred (Par value $100.00) $12,500,000.00
- 750,000 shares Common (Par value $25.00) 18,750,000.00

**Total Capital stock authorized** $31,250,000.00

**Capital stock outstanding:**

- Preferred—104,000 shares $10,400,000.00
- Common—377,719 shares 9,442,975.00

**Total Capital stock outstanding** $19,842,975.00

**Surplus:**

- Earned $1,702,764.38
- Capital 1,159,329.15

**Total Surplus** $2,862,093.53

**Total Net Worth** $22,705,068.53

**Total** $23,801,701.58
CONSOLIDATED STATEMENT OF PROFIT AND LOSS
For the Year Ended February 28, 1935

NET SALES (excluding inter-company sales) $54,883,394.65

Deduct:

- Cost of sales $43,610,016.97
- Repairs and maintenance 1,213,337.42
- Selling expense including delivery expense $4,096,847.77
- Advertising 363,905.85
- Administrative expense 2,144,886.68
- Insurance 317,391.01
- Rent 263,834.43
- Taxes 372,265.14
- Interest 35,166.25

Total deductions $44,823,354.39

Selling expense including delivery expense $4,096,847.77

CONSOLIDATED NET PROFITS FOR YEAR $1,229,614.30

Deduct:

- Dividend requirements for full year on preferred stock of subsidiary companies outstanding February 28, 1935, held by the public $4,277.00
- Dividend requirements for full year on preferred stock of Beatrice Creamery Company 728,000.00

Total deductions $732,277.00

BALANCE—Equivalent to profit of $1.31 per share on 377,719 shares of common stock of Beatrice Creamery Company outstanding February 28, 1935 $497,337.30
CONSOLIDATED STATEMENT OF SURPLUS
For the Year Ended February 28, 1935

EARNED SURPLUS—February 28, 1934 $1,218,356.34

Add:
Net profit for year ended February 28, 1935 $1,229,614.30
Adjustment of prior years' reserves for Federal income, state and local taxes and other surplus credits 28,583.48

1,258,197.78

$2,476,554.12

Deduct:
Dividends paid on preferred capital stock of Beatrice Creamery Company $ 738,325.00
Dividends paid on stocks of subsidiary companies, held by the public 4,612.50
Prior years' surplus charges 30,852.24

773,789.74

EARNED SURPLUS—February 28, 1935 $1,702,764.38

CAPITAL SURPLUS—February 28, 1934 $1,148,877.40

Add:
Discount on Beatrice Creamery Company preferred stock purchased and retired $ 24,799.00

$1,173,676.40

Deduct:
Goodwill purchased written off 14,347.25

CAPITAL SURPLUS—February 28, 1935 $1,159,329.15
To the Board of Directors,
Beatrice Creamery Company:

We have made an examination of the consolidated balance sheet of the Beatrice Creamery Company (a Delaware corporation) and subsidiary companies as at February 28, 1935, and of the statements of consolidated income and surplus for the year ended that date. In connection therewith, we examined or tested the accounting records of the companies and other supporting evidence, and obtained information and explanations from officers and employees of the Companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

In addition to our examination as at February 28, 1935, we visited the Company's branch and subsidiary offices during the year, and verified the receivables by communication with customers and others, and tested the quantities in the inventories at various interim dates. We also made extensive tests of the cash transactions and of the income and expense accounts.

Cash was verified by count and certificates from depositaries. Sufficient reserve has, in our opinion, been provided to cover losses in the collection of the receivables. Inventories were certified to us by the management as to quantities and condition, and we satisfied ourselves that the prices used were the lower of cost or market.

Investment securities were examined and there being no quoted market, they have been valued at cost or less by officers of the Company.

Depreciation has been provided at the rates used in the preceding year and the amount, in our opinion, is adequate.

In our opinion, based upon such examination, the accompanying consolidated balance sheet and related statements of consolidated income and surplus fairly present, in accordance with accepted principles of accounting consistently maintained by the Companies during the year, the financial position of the Beatrice Creamery Company and Subsidiary Companies as at February 28, 1935, and the results of operations for the year ended that date.

J. H. Greenhalgh & Company
By D. Greenhalgh,
Certified Public Accountant.
DIRECTORS

H. Brown Cannon        Paul W. Cleveland
Omer N. Custer         Ernest H. Daniel     John T. Dorgan
Morris Friend          Clinton H. Haskell
Clyde T. Hays          Charles S. Hutchinson
John H. Lambrecht      Arthur T. McClintock  John T. McGreer
Kenneth L. Murray      Louis Nielson
Nelson A. Emmertz

OFFICERS

Clinton H. Haskell, President
John T. Dorgan, Vice President     Arthur T. McClintock, Vice President
Louis Nielson, Vice President      Frederick A. Jorgensen, Vice President
John T. McGreer, Vice President    Charles S. Hutchinson, Vice President
Clyde T. Hays, Secretary and Treasurer

Registrars of Stock

The Chase National Bank of the City of New York
New York

City National Bank and Trust Company of Chicago
Chicago

Stock Transfer Agents

Guaranty Trust Company of New York
New York

Continental Illinois National Bank and Trust Company of Chicago
Chicago